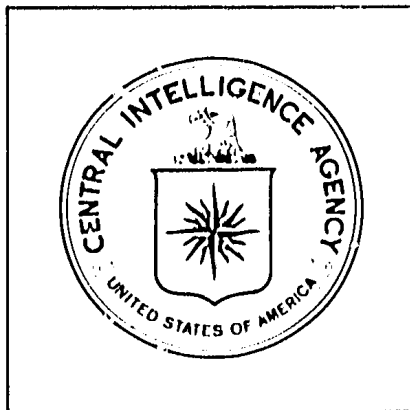


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STAFF NOTES:

Soviet Union Eastern Europe

State Dept. review completed

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SOVIET UNION - EASTERN EUROPE

This publication is prepared for regional specialists in the Washington community by the USSR - Eastern Europe Division, Office of Current Intelligence, with occasional contributions from other offices within the Directorate of Intelligence. Comments and queries are welcome. They should be directed to the authors of the individual articles.

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European Communist Conference Prospects Fading

In an effort to revive the rapidly fading prospects for convening a European Communist party conference this year, the Soviets and East Germans have called a meeting of the conference drafting group on October 8, [REDACTED]

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[REDACTED] This group, which first met in East Berlin on February 17-19 and then on April 8-10, is charged with drawing up the conference's final document. Throughout its proceedings, however, the group has been paralyzed by sharp differences between the "centralists" led by Moscow and the "independents," including the Yugoslavs, Romanians, Spaniards, and Italians. In an attempt to get around this problem, a subcommittee divided evenly between the two groups was created to hammer out the concluding document, but during its meetings from mid-April through mid-July no progress was made, and it was finally adjourned *sine die*.

For the past three months no drafting meetings of any sort have been held as the two contending factions have hardened their positions and reviewed their strategy. On the Soviet side, stinging denunciations of Maoism and "opportunists" willing to make political alliances with "bourgeois" parties rather than adopt a revolutionary path to power appeared in August in *Kommunist* and *Pravda*, respectively. The Yugoslavs and West Europeans have responded with sharp counterattacks in their own media. The Soviets and East Germans, recognizing the depth of the differences between the two sides, concede privately that no conference is likely this year and some reports say they are reconciled to putting it off until after the Soviet party congress next February. [REDACTED]

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In an attempt to get a conference on track again, the Soviets have given up pushing for a program of common action binding on all participating parties and have opted instead for a statement of principles with some binding provisions. This, however, is still unsatisfactory to the Romanians and other "independents," and the Soviets are toying with a vague, non-binding declaration to avoid sinking the conference project. Soviet party secretary Katushev's sudden arrival in Bucharest on Wednesday may be an effort to put pressure on the Romanians to soften their position.

Moscow is no longer insisting on references to its leading role in the international communist movement and may be willing to delete references to "Maoist" support of opponents of detente if this threatens the holding of the conference. The sticking point is the attitude to be taken by the conference toward the social democratic parties in Western Europe. If the choice comes down to describing them unqualifiedly as "progressive," and therefore suitable political allies, as the "independents" wish, or scuttling the conference, Moscow will choose the latter. The depth of Moscow's commitment to its position, spelled out in the Zarodov *Pravda* article in August, was underscored by the publicity given Zarodov's meeting with Brezhnev last month, and this does not augur well either for next week's meeting of the drafting group or the European Communist conference project as a whole.

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East Germany Suspends Relations with Spain

East Germany suspended diplomatic relations with Spain yesterday afternoon. The action was foreshadowed when East Berlin recalled its ambassador on September 27th "as an expression of its strong protest against the executions of the five Spanish patriots." East Germany is the only Warsaw Pact country that has had full diplomatic--as distinct from consular--relations with Madrid. The action was almost certainly taken at Moscow's behest, and may have been arranged during Foreign Minister Gromyko's brief visit to East Berlin earlier this week.

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Czechoslovakia: Reconciliation for
the Ostracized

Prague now appears to be holding out the possibility that those who were purged in the wake of the "Prague Spring" could return to the party ranks if they are willing to recant and "work for socialism."

The rehabilitation of almost half a million former party members has reportedly been a central issue in a major dispute that has pitted hard liners against moderates in the top party leadership. The hard liners fear that any relaxation of ideological vigilance could eventually result in a return to the deviations of the "Prague Spring," while the moderates argue that selective rehabilitation would aid the sluggish Czechoslovak economy. Party leader Husak reportedly favored rehabilitating members with technical expertise as early as 1970, but he has been forcefully blocked by the hard line faction of party secretary Vasil Bilak.

In an interview last month, however, Bilak remarked that the majority of those former party members who did not pass their reliability clearance checks "are trying to make up for past mistakes and errors by honest work" and that "many believe that with the passage of time they will be readmitted to the party." These remarks have subsequently been repeated in the party press, which labeled the interview "a document of extraordinary importance" that has "generated considerable, and fully justified interest also in our country."

Bilak's statement stops short of a firm commitment to reinstate purged party members. Its evasiveness on a time factor suggests a compromise in which the hard liners have given some ground but have not capitulated. It will nevertheless raise the hopes of

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those individuals willing to recant. Their expectations will probably be fueled by the promise that "a program which all honest people in our country could understand and accept" will be worked out for the 15th party congress scheduled for next April.

By holding out the carrot, the regime may be trying to divide the ranks of the purge victims, splitting the dissidents--the small militant minority--away from the majority, who might be swayed by the prospects of reconciliation after seven years of frustration and economic hardship. Since the November plenum last year, the party has given increasing attention to economic performance, and the former party members are an untapped or, at least, under-utilized resource, particularly in the area of badly needed managerial talent.

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Hungary: Preparing the People

In a recent speech to parliament, Premier Lazar told the Hungarian consumer to expect a slowdown in improvements in the standard of living during the next five years. His warning is the latest in a series of statements by high-level Hungarian spokesmen that are intended to scale back popular expectations.

In a partial preview of the five year plan, which will be published within the next several months, Lazar said that Budapest can not avoid further increases in consumer prices, and revealed that "guaranteed" rises in living standards would be "several percent" less than in past years. He implied that increases in real income would be especially modest during 1976 and 1977. A Hungarian economist told the embassy that the regime would like to hold this increase to 1.5 percent per year, but would probably not do so because of the domestic political effect. Real income has been increasing at an average annual rate of 5 percent since 1970.

Lazar was frank about the difficulties that Western inflation and recession and Soviet price increases are causing for Hungary. He called for greater worker productivity, cutbacks in luxury imports, more exports, and greater modernization in industry. He said that the overall growth of investments would be half the rate sustained during 1971-75, despite an increase in energy-related investment outlays.

On the sensitive subject of management policy, Lazar suggested a commitment to Budapest's flexible economic system when he said "there is no need to change the basic principles." He cited the initiative and imagination of enterprises as a "precondition" for national economic growth. At the same time,

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Lazar acknowledged that some modifications are in the works that will increase the role of the central bureaucracy. Lazar said "it is not our aim to over-regulate," but pointed to current economic pressures as justification for the changes.

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Iranian Premier Visits Czechoslovakia

Discussions of bilateral economic relations dominated the visit of Iranian Premier Hoveyda to Prague earlier this week. The Czechs, anxious to get further cooperation from Tehran, rolled out the red carpet, and President Husak presented Hoveyda with the country's highest award, the Order of the White Lion, First Class.

The Czechoslovak media gave prominent and favorable play to Czechoslovak-Iranian relations throughout the visit. A commentary in the party daily, for example, underscored Czechoslovakia's role in the realization of Iran's development plans and Tehran's elimination of "imperialists" from key sectors of the economy.

According to the communique on Hoveyda's talks with Premier Strougal, the two sides agreed that the forthcoming joint commission meeting in Tehran would work toward a long-term agreement on economic, scientific, and technical cooperation. The premiers also discussed cooperation--including joint projects in third countries--in "new industrial" and agricultural fields. No details were given. The communique indicated that financial cooperation was another topic discussed. This suggests that at long last Prague may be on the verge of entering the Western money market.

Although there was no suggestion in either the official coverage or in the communique that the subject of oil was brought up, Premier Strougal went out of his way to support the 10-percent increase in oil prices recently decided by the OPEC nations. According to Strougal, Czechoslovakia considers the increase, "as desired by Iran, very reasonable and logical."

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